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STATEMENT  
TO THE  
LEGISLATURE

BY

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TREASURER AND MINISTER OF ECONOMICS

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REAL GROWTH IN THE PROVINCIAL ECONOMY IS EXPECTED TO BE 4.8 PER CENT; INFLATION IS PROJECTED TO BE UNDER FOUR PER CENT FOR THE YEAR; AND THE ECONOMY IS EXPECTED TO CREATE 180,000 JOBS IN 1985, UP FROM 147,000 IN 1984. HOWEVER, THERE ARE SOME CAUTIONS AND CONCERN IN THIS OUTLOOK:

- THE UNEMPLOYMENT RATE WHICH NOW STANDS AT 7.7 PER CENT IS EXPECTED TO AVERAGE 8.1 PER CENT FOR THE YEAR.
- RISING PUBLIC DEBT AT ALL LEVELS OF GOVERNMENT CONTINUES TO THREATEN CONFIDENCE IN OUR ECONOMY. ONTARIO'S DEBT INCREASED FROM \$7.8 BILLION TO \$24.6 BILLION IN THE PAST DECADE ALONE.



- . THERE REMAIN SEVERE PROBLEMS IN THE AGRICULTURE SECTOR WHICH MUST BE ADDRESSED.
- . THE RECENT FEDERAL BUDGET WILL HAVE A NEGATIVE EFFECT ON ONTARIO'S ECONOMY AND IS GOING TO MAKE IT MORE DIFFICULT TO DEAL WITH UNEMPLOYMENT. TAX INCREASES AND HIGHER FUEL PRICES FOR CONSUMERS WILL REDUCE CONSUMER SPENDING AND DAMPEN ECONOMIC ACTIVITY IN ONTARIO. THE MAJOR IMPACT OF THESE DEVELOPMENTS WILL BE FELT IN 1986.
- . LEADING ECONOMIC INDICATORS SHOW THAT THE UNITED STATES' ECONOMY IS SLOWING DOWN, MAKING IT MORE DIFFICULT TO SELL OUR GOODS IN THE AMERICAN MARKET.



- THE RESOLUTION OF A NUMBER OF IMPORTANT TRADE ISSUES MAY ALSO HAVE A SIGNIFICANT IMPACT ON THE ONTARIO ECONOMY AND OUR CAPACITY TO PROVIDE THE JOBS OUR CITIZENS NEED. FOR EXAMPLE, ENSURING THAT WE MAINTAIN AN ENVIRONMENT OF FAIR TRADE AND INVESTMENT IS IMPORTANT TO THE CONTINUED STRENGTH AND GROWTH OF THE ONTARIO AUTOMOTIVE INDUSTRY.
- WE MUST PREPARE FOR ANOTHER ROUND OF MULTILATERAL TRADE NEGOTIATIONS UNDER GATT AND WE MUST BE FULLY PREPARED TO FACE THE CHALLENGES THAT THESE WILL PRESENT TO ONTARIO INTERESTS, NOT ONLY IN MANUFACTURING, BUT IN AGRICULTURE AND OTHER SECTORS OF THE ECONOMY AS WELL.



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AS A RESPONSE TO EMERGING  
PROTECTIONIST SENTIMENT SOUTH OF THE BORDER,  
IT HAS BEEN SUGGESTED WE MOVE QUICKLY TO  
ENTER FREE TRADE ARRANGEMENTS WITH THE U.S.  
I URGE CAUTION; WE MUST BE SURE THAT THE  
PRICE WE PAY FOR GREATER ACCESS TO THE U.S.  
MARKET IS NOT TOO HIGH IN TERMS OF OUR OWN  
JOBS. THE LIVELIHOOD OF OUR PEOPLE IS VERY  
MUCH ON THE LINE.

THE LEGISLATIVE COMMITTEE ON ONTARIO'S  
ECONOMY ANNOUNCED BY THE PREMIER WAS  
ESTABLISHED YESTERDAY AND WILL, I HOPE,  
PROVIDE ADVICE TO THIS HOUSE ON THE MATTER OF  
TRADE WITH THE U.S., WITHOUT DELAY.

I WILL NOW TURN TO A BRIEF REVIEW OF  
THE FISCAL CIRCUMSTANCES WE WERE PRESENTED  
WITH BY THE FORMER GOVERNMENT.

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MEMBERS WILL RECALL THAT THE FOURTH QUARTER ONTARIO FINANCES RELEASED FOUR WEEKS AGO REPORTED NET CASH REQUIREMENTS OF \$1.7 BILLION FOR THE FISCAL YEAR ENDING MARCH 31, 1985.

THE FIGURES I WILL NOW SHARE WITH THE HOUSE REFLECT THE SPENDING PLANS OF THE PREVIOUS GOVERNMENT AS WE FOUND THEM AND THE TREASURY STAFF'S FORECAST OF REVENUES UNDER THE EXISTING TAX SYSTEM.

ON THIS BASIS, THE NET CASH REQUIREMENTS OF THE PROVINCE WOULD GROW TO \$2.2 BILLION. THE PREVIOUS GOVERNMENT'S THRONE SPEECH INCLUDED A LARGE NUMBER OF COSTLY NEW PROGRAMS AND TAX EXPENDITURES. I AM ADVISED THESE WOULD HAVE ADDED AT LEAST A FURTHER \$400 MILLION TO THE DEFICIT, BRINGING THE TOTAL TO \$2.6 BILLION IN THIS FISCAL YEAR. AT THE SAME TIME, THE PREVIOUS GOVERNMENT COMMITTED ITSELF TO PROVIDING THESE NEW PROGRAMS WITHOUT MAJOR TAX INCREASES.



IT IS EVIDENT THAT EITHER REVENUE INCREASES, SPENDING RESTRAINTS OR BOTH WOULD HAVE BEEN REQUIRED IN THEIR BUDGET TO KEEP THE THRONE SPEECH COMMITMENT TO CONTINUED DEFICIT REDUCTION.

WHAT DOES THIS MEAN FOR ONTARIO'S CREDIT RATING?

MEMBERS ARE ALL AWARE THAT THERE HAS BEEN PRESSURE ON THE CREDIT RATING FOR SOME TIME. LAST FALL THE THEN TREASURER SAID THAT, WITH RESPECT TO STANDARD AND POOR'S CONCERN ABOUT THE GROWING RATIO OF DEBT SERVICE COSTS TO REVENUE, IT WAS HIS INTENTION TO STABILIZE THIS RATIO. HE ALSO SAID HIS STAFF CALCULATED THAT THE 1985-86 DEFICIT WOULD HAVE TO BE \$1.2 BILLION TO DO THIS. MY STAFF INFORM ME THAT THIS IS STILL THE CASE. IN OTHER WORDS, \$1.2 BILLION IS THE MAGIC NUMBER. WELL, THAT IS A LONG WAY FROM WHAT WE HAVE BEEN LEFT WITH.



THE MAGNITUDE OF THE GAP BETWEEN \$2.2 BILLION -- OR MORE LIKELY \$2.6 BILLION -- AND THE \$1.2-BILLION BENCHMARK DEALT WITH BY THE TREASURER LAST FALL MAKES IT CLEAR THAT THE TRIPLE-A RATING MUST BE IN SERIOUS JEOPARDY. HOWEVER, ANY OBJECTIVE OBSERVER WOULD AGREE THAT BASED ON THE BENCHMARKS OF STRENGTH, DIVERSITY AND GROWTH IN OUR ECONOMY, OUR CREDIT WORTHINESS IS SOUND.

IN THESE CIRCUMSTANCES, WE WILL BE RE-ORDERING THE PRIORITIES OF GOVERNMENT TO REFLECT THE VIEWS AND ASPIRATIONS OF THE PEOPLE OF THIS PROVINCE AS EXPRESSED IN THE LAST ELECTION.

WE ARE COMMITTED TO FULFILLING THE PROGRAM OUTLINED BY THE PREMIER ON JULY 2 AND WE WILL DO SO WITHIN A FRAMEWORK OF FISCAL RESPONSIBILITY AND OPENNESS.



FOR EXAMPLE, WE ARE COMMITTED TO ADDRESSING THE PROBLEMS OF UNEMPLOYMENT, ESPECIALLY THAT OF OUR YOUTH.

WE ARE COMMITTED TO FULL FUNDING FOR SEPARATE SCHOOLS. NECESSARY FUNDS HAVE BEEN SET ASIDE TO BEGIN THE PROGRAM THIS FALL AS ANNOUNCED BY THE MINISTER OF EDUCATION. FOR THE FIRST SCHOOL YEAR, FROM SEPTEMBER TO AUGUST, THE ESTIMATED COST OF THIS INITIATIVE IS \$80 MILLION, \$34 MILLION OF WHICH WILL BE PROVIDED BY THE PROVINCE IN THIS FISCAL YEAR.

ENSURING THE FUTURE VIABILITY OF THE AGRICULTURE SECTOR IS A PRIORITY FOR THIS GOVERNMENT. THE MINISTER OF AGRICULTURE WILL SOON ANNOUNCE A PROGRAM THAT WILL ASSIST FARMERS IN REDUCING THE COST OF THEIR LONG-TERM DEBT.



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MY COLLEAGUE, THE MINISTER OF HOUSING, WILL ANNOUNCE MEASURES TO ADDRESS THE PRESSING PROBLEM OF THE SUPPLY OF AFFORDABLE RENTAL HOUSING WHICH WILL COMPLEMENT OUR RECENT CHANGES TO THE RENT REVIEW PROGRAM.

MY COLLEAGUES WILL BE PRESENTING THE OTHER ELEMENTS OF OUR GOVERNMENT'S PROGRAM TO THE HOUSE THIS FALL.

AS I HAVE ALREADY INDICATED, FISCAL RESPONSIBILITY WILL BE ONE OF OUR HIGHEST PRIORITIES. ALREADY WE HAVE BEGUN TO CUT THE COST OF GOVERNMENT BY DOING THE FOLLOWING:

• A REVIEW OF \$181 MILLION IN EXPENDITURE COMMITMENTS MADE SINCE MAY 2 HAS BEEN INITIATED. THIS AMOUNT IS THE EXCESS OVER THE TOTAL SPENDING PROVIDED FOR IN THE ESTIMATES TABLED TODAY, WHICH WILL BE ADDRESSED BY MY COLLEAGUE, THE CHAIRMAN OF MANAGEMENT BOARD;



- I AM INFORMED THAT THE PLANS  
UNDERWAY WHEN THIS GOVERNMENT  
ASSUMED OFFICE PROVIDED FOR  
INCREASED STAFFING LEVELS WHICH  
WOULD HAVE LED TO AN OVERALL  
INCREASE IN THE SIZE OF THE PUBLIC  
SERVICE. THIS SITUATION WILL ALSO  
BE REVIEWED WITH MY COLLEAGUES ON  
THE MANAGEMENT BOARD OF CABINET;
- WE HAVE INITIATED A MAJOR REVIEW OF  
CROWN ASSETS WITH A VIEW TO  
DISPOSING OF CROWN CORPORATIONS,  
SURPLUS LANDS AND OTHER HOLDINGS  
INCLUDING SUNCOR;
- THE THREE PROVINCIAL POLICY  
SECRETARIATS ARE BEING ELIMINATED;



- THE ROYAL COMMISSION ON THE NORTHERN ENVIRONMENT HAS FINALLY BEEN WOUND UP. THIS GOVERNMENT INTENDS TO TAKE POSITIVE STEPS TO STIMULATE NORTHERN DEVELOPMENT AND ENVIRONMENTAL ENHANCEMENT, NOT STUDY THESE MATTERS ENDLESSLY;
- A FREEZE ON PLANNED ADVERTISING HAS BEEN IMPOSED;
- THE BILD COMMITTEE WILL NOT BE REAPPOINTED AND ITS ADMINISTRATIVE STRUCTURE WILL BE WOUND DOWN AS QUICKLY AS POSSIBLE. IN DOING SO, I WANT TO ASSURE COMMUNITY GROUPS, MUNICIPALITIES, UNIVERSITIES, OTHER PUBLIC AGENCIES AND ONTARIO INDUSTRIES THAT FUNDS WILL BE AVAILABLE TO COMPLETE PROJECTS OR INITIATIVES NOW UNDERWAY;



MY COLLEAGUE, THE CHAIRMAN OF MANAGEMENT BOARD, WILL BE UNDERTAKING THE PROCESS OF IDENTIFYING OTHER EXPENDITURE REDUCTION OPPORTUNITIES. OUR PRELIMINARY ASSESSMENT IS THAT AS MUCH AS \$250 MILLION CAN BE SAVED FROM THIS YEAR'S SPENDING PLANS.

AS MEMBERS OF THIS HOUSE KNOW, I HAVE BEEN, AND REMAIN, CONCERNED WITH THE SIZE OF ONTARIO HYDRO'S DEBT AND BORROWING. HYDRO'S DEBT -- MORE THAN HALF OF WHICH HAS BEEN BORROWED ABROAD -- IS NOW \$21.9 BILLION.

WHILE HYDRO'S BORROWING THIS YEAR IS LOWER THAN IT WAS LAST YEAR, I WILL ENSURE FUTURE BORROWING OCCURS WITHIN RESPONSIBLE LIMITS. ONE OF THE FIRST THINGS I DID ON ASSUMING OFFICE WAS TO MEET WITH THE CHAIRMAN OF HYDRO TO ASSESS ITS FINANCES. I INTEND TO KEEP A CLOSE WATCH ON ITS CAPITAL MARKET ACTIVITIES.



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I MIGHT MENTION AT THIS POINT THAT I HAVE INSTRUCTED MY OFFICIALS TO CONDUCT A REVIEW OF THE PROVINCE'S FINANCIAL POLICIES AND FISCAL ADVISORY ARRANGEMENTS OVER THE SUMMER.

BEFORE CONCLUDING THIS STATEMENT, I WOULD LIKE TO SAY A FEW WORDS ABOUT BUDGET PREPARATIONS.

NEXT WEEK I BEGIN CONSULTING WITH INTERESTED ORGANIZATIONS AND COMMUNITY GROUPS TO OBTAIN THEIR ADVICE IN THE PREPARATION OF THE BUDGET WHICH I INTEND TO HAVE READY IN OCTOBER.

FURTHERMORE, I BELIEVE THE PRE-BUDGET CONSULTATION PROCESS CAN BE IMPROVED. I INTEND TO PRESENT A PAPER WITH THE BUDGET CONTAINING PROPOSALS TO OPEN UP THE PROCESS TO ENSURE GREATER INVOLVEMENT BY MEMBERS OF THIS HOUSE AND BY ONTARIANS IN GENERAL.



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I WOULD ALSO LIKE TO SAY THAT ANYONE  
IN ONTARIO IS WELCOME TO SEND ME THEIR VIEWS  
AND COMMENTS ON THE BUDGET.

IN SUMMARY, ONTARIO'S ECONOMY  
CONTINUES TO SHOW CONSIDERABLE STRENGTH,  
NOTWITHSTANDING SOME TROUBLING CONCERNS. WE  
MUST ADDRESS THESE CONCERNS AND PROTECT AND  
STRENGTHEN OUR CAPACITY TO OVERCOME THE  
PROBLEMS THAT FACE US, PARTICULARLY THE  
CHALLENGE OF UNACCEPTABLY HIGH LEVELS OF  
UNEMPLOYMENT.

WE ARE DETERMINED TO FULFILL OUR  
COMMITMENTS. BUT WE WILL DO SO IN A FISCALLY  
RESPONSIBLE MANNER SO WE CAN CONFIDENTLY PLAN  
FOR THE FUTURE.

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**SUMMARY OF REVENUES**  
**(\$ MILLION)**

	1984-85 INTERIM ACTUAL	1985-86 FORECAST
TAXATION REVENUE	15,092	16,302
OTHER REVENUE	4,164	4,294
PAYMENTS FROM THE FED. GOV'T	4,509	4,713
DEPOSITS INTO TRUST ACCOUNTS	996	1,115
REPAYMENTS OF LOANS	434	420
<b>TOTAL REVENUE</b>	<b>25,195</b>	<b>26,844</b>



**SUMMARY OF APPROVED EXPENDITURE LEVELS**  
**(\$ MILLION)**

	<b>1984-85 INTERIM/ACTUAL</b>	<b>1985-86 APPROVED EXPEND. LEVELS</b>
HEALTH	8,342	8,972
EDUCATION	3,217	3,380
COMMUNITY & SOCIAL SERVICES	2,604	2,757
COLLEGES & UNIVERSITIES	1,934	2,033
CITIZENSHIP & CULTURE	183	226
SOCIAL SECRETARIAT	9	4
TRANSPORTATION & COMMUNICATIONS	1,588	1,559
MUNICIPAL AFFAIRS & HOUSING	1,035	1,106
NATURAL RESOURCES	436	455
AGRICULTURE & FOOD	328	365
SKILLS DEVELOPMENT	319	351
ENVIRONMENT	342	372
TOURISM & RECREATION	184	167
ENERGY	108	116
INDUSTRY & TRADE	107	141
LABOUR	73	72
RESOURCES SECRETARIAT	3	7
SOLICITOR GENERAL	309	326
ATTORNEY GENERAL	278	281
CORRECTIONAL SERVICES	245	268
CONSUMER & COMMERCIAL RELATIONS	124	129
JUSTICE SECRETARIAT	1	2
REVENUE	652	686
TREASURY & ECONOMICS	57	29
BILD	269	358
GOVERNMENT SERVICES	380	418
NORTHERN AFFAIRS	158	165
MANAGEMENT BOARD	17	18
OFFICE RESP. FOR WOMEN'S ISSUES	5	9
INTERGOVERNMENTAL AFFAIRS	8	6
PUBLIC DEBT INTEREST	2,922	3,280
PENSIONS	607	687
OTHER	53	257
<b>TOTAL EXPENDITURES</b>	<b><u>26,897</u></b>	<b><u>29,002</u></b>

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